

MINUTES
BRAZORIA-FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

September 7, 2012

The Board of Directors (the "Board") of Brazoria-Fort Bend County Municipal Utility District No. 1 (the "District") met in regular session, open to the public, on the 7th day of September, 2012, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Michael D. Rozell	President
Geoffrey Pope	Vice President
Terry Ruiz	Secretary
Karri Axtell	Assistant Vice President
Jalene Palmer	Assistant Secretary

and all of the above were present except Director Palmer, thus constituting a quorum.

Also present at the meeting were Colette Garcia of McGrath & Co., PLLC ("McGrath"); Rick Hale of Perry Homes; Tommy Lee of Assessments of the Southwest, Inc.; Erin Garcia of Myrtle Cruz, Inc.; Officer Lucas of the City of Pearland (the "City") Police Department; James Ross of LJA Engineering & Surveying, Inc.; Craig Rathmann of Rathmann & Associates, L.P.; and Adisa Harrington and Michelle Bryan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the July 25, 2012, special meeting and the minutes of the August 3, 2012, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Axtell moved to approve the minutes of the July 25 and August 3, 2012, meetings, as submitted. Director Ruiz seconded the motion, which passed unanimously.

REVIEW SERIES 2007 ARBITRAGE REBATE REPORT

Ms. Harrington reviewed the Interim Excess Earnings Report on the Series 2007 Bonds, as prepared by OmniCap Group LLC. She stated that the report reflects that no arbitrage rebate or yield reduction payment is due to the Internal Revenue Service. The Board directed that the report be filed appropriately and retained in the District's official records.



AUTHORIZE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR END
SEPTEMBER 30, 2012

Ms. Harrington noted that the District has an evergreen engagement with McGrath for preparation of annual audits and developer reimbursement reports. Ms. Colette Garcia estimated a cost of \$12,000 for preparation of the District's audit for fiscal year end September 30, 2012. After discussion, Director Axtell made a motion to authorize McGrath to proceed with preparation of the audit for fiscal year end September 30, 2012, pursuant to the District's engagement letter. Director Ruiz seconded the motion, which passed unanimously.

REPORT ON DEVELOPMENT

Mr. Hale reported on development and home sales in the District.

Ms. Colette Garcia presented and reviewed a Developer Reimbursement Report prepared by McGrath for the purpose of verifying the amount to be reimbursed to Westin Homes and Properties, L.P. for water and wastewater impact fees paid to the City. She stated the reimbursement is being paid from proceeds of the District's Series 2009 Bonds. After review and discussion, Director Ruiz moved to (1) approve the Developer Reimbursement Report; (2) authorize disbursement of funds to reimburse Westin Homes and Properties, L.P. in the amount of \$17,981, pursuant to the Developer Reimbursement Report; and (3) direct that the Developer Reimbursement Report be filed appropriately and retained in the District's official records. Director Axtell seconded the motion, which was approved by unanimous vote.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Lee distributed and reviewed the tax assessor/collector's report, including the delinquent tax roll, a copy of which is attached. He noted that the 2011 taxes were 99.65% collected as of August 31, 2012. Mr. Lee stated that unpaid tax accounts were turned over to the District's delinquent tax attorney for collection. After review and discussion, Director Axtell moved to approve the tax assessor/collector's report and payment of the tax bills. Director Ruiz seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Erin Garcia distributed and reviewed the bookkeeper's report, including the investment report, budget comparison, and list of checks presented for approval, a copy of which is attached. After review and discussion, Director Ruiz moved to approve the bookkeeper's report and payment of the bills. Director Axtell seconded the motion, which passed unanimously.



SUPPLEMENTAL SECURITY SERVICES

Officer Lucas reported on security in the District and discussed crime trends and preventative security measures for residents.

Ms. Bryan updated the Board on the Shadow Creek Ranch Maintenance Association ("SCRMA/HOA") meeting attended by Officer Pratt, Officer Boyer, and two directors of Brazoria County Municipal Utility District No. 26 ("MUD 26") on August 28, 2012. She stated that MUD 26 informed SCRMA/HOA that, if permitted by the Texas Commission on Environmental Quality ("TCEQ"), MUD 26 and the District are interested in funding the necessary erosion repairs of the detention ponds in Shadow Creek Ranch if SCRMA/HOA will fund the installation of video surveillance equipment. She stated that SCRMA/HOA obtained a proposal for the installation of video surveillance equipment in the Shadow Creek Ranch area and that SCRMA/HOA will forward the proposal to the President of MUD 26 for review. Ms. Bryan stated that MUD 26 deferred action until it is determined if the TCEQ will permit the District and MUD 1 to fund the necessary erosion repairs of the detention ponds in order to restore the side slopes to their original state and reduce erosion in the future.

Ms. Bryan informed the Board that MUD 26 is considering conducting of a survey of Shadow Creek Ranch residents to obtain residents' opinions on the installation of video surveillance equipment in the Shadow Creek Ranch area. She noted that the Board can determine if it is interested in participating in the survey once more information on costs is known.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the District's Investment Policy. Ms. Harrington stated that no changes are recommended. Following review and discussion, Director Ruiz moved to adopt a Resolution Regarding Annual Review of Investment Policy and direct that the Resolution be filed appropriately and retained in the District's official records. Director Axtell seconded the motion, which passed by unanimous vote.

REVIEW, REVISE, AND ADOPT RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Harrington presented a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions to update the list of qualified banks with which the District may invest funds. She noted that the District's bookkeeper provided the updated



list of banks, which is attached as an exhibit to the Resolution. After review and discussion, Director Axtell moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and direct that the Resolution be filed appropriately and retained in the District's official records. Director Ruiz seconded the motion, which passed unanimously.

ENGINEERING MATTERS

Mr. Ross distributed and reviewed the engineer's report, a copy of which is attached.

Mr. Ross reported on bids received for the construction of Lakes 1 and 2 to serve Shadow Creek Ranch Village 7. He noted that five bids were received and recommended that the Board award the contract to the low bidder, Longhorn Excavators, Inc., in the total bid amount of \$2,439,900.54, contingent upon approval of construction plans by Brazoria Drainage District No. 4 and validation of payment and performance bonds. The Board determined that, in its judgment, Longhorn Excavators, Inc. is a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the District's facilities. Ms. Harrington reviewed a Letter Financing Agreement related to financing of the facilities.

Mr. Ross reported on the advertisement of bids for the construction of the water, sanitary sewer, and drainage facilities to serve Shadow Creek Ranch Village 7, Phase I. He stated that bids will be received on Wednesday, September 12, 2012, at 10:00 a.m.

Mr. Ross reported on the advertisement of bids for the construction of the water, sanitary sewer, and drainage facilities to serve Shadow Creek Ranch SF-71. He stated that bids will be received on Wednesday, September 26, 2012, at 10:00 a.m.

Mr. Ross reported on the advertisement of bids for the construction of the water, sanitary sewer, and drainage facilities to serve Shadow Creek Ranch SF-72. He stated that bids will be received on Wednesday, September 26, 2012, at 10:30 a.m.

Mr. Ross updated the Board on the construction of the water, sanitary sewer, and drainage facilities to serve Shadow Creek Ranch SF-61 and SF-62. He presented and recommended approval of Pay Estimates Nos. 3 and 4 in the amounts of \$59,364.92 and \$53,343.63, respectively, payable to C.E. Barker, Limited.

Following review and discussion, and based upon the engineer's recommendation, Director Pope moved to (1) approve the engineer's report; (2) award the contract for the construction of Lakes 1 and 2 to serve Shadow Creek Ranch Village 7 to Longhorn Excavators, Inc. in the total bid amount of \$2,439,900.54, contingent upon



approval of construction plans by Brazoria Drainage District No. 4 and validation of payment and performance bonds, and approve the Letter Financing Agreement; and (3) approve payment of Pay Estimates Nos. 3 and 4 in the amounts of \$59,364.92 and \$53,343.63, respectively, payable to C.E. Barker, Limited for the construction of the water, sanitary sewer, and drainage facilities to serve Shadow Creek Ranch SF-61 and SF-62. Director Ruiz seconded the motion, which carried unanimously.

ORDER ADOPTING PROCEDURES FOR POST-ISSUANCE COMPLIANCE

Ms. Harrington stated that bonds issued by the District are generally subject to the requirements of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder. She added that those provisions require that issuers comply with certain post-issuance requirements (the "Requirements") for their bonds. Ms. Harrington explained that the Board is ultimately responsible for post-issuance compliance for its bonds, with assistance by its consultants. She pointed out that while there is no express requirement that an issuer adopt written compliance procedures, the Internal Revenue Service (the "IRS") views the adoption of written procedures as demonstrating the issuer's intent to comply with the Requirements. Ms. Harrington added that, in order to ensure that the District's procedures for post-issuance compliance are well documented, ABHR recommends that such procedures be adopted in writing by the Board. She reviewed the Order Adopting Procedures for Post-Issuance Compliance with the Board. Following review and discussion, Director Pope moved to adopt the Order Adopting Procedures for Post-Issuance Compliance and direct that the Order be filed appropriately and retained in the District's official records. Director Ruiz seconded the motion, which passed by unanimous vote.

ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Area Community Newsletter; the SCRMA/HOA newsletter, *The Connection*; and the District's website. After discussion, the Board concurred for ABHR to run the standard monthly notice in the newsletters directing residents to the website for information about District meetings.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Ruiz reported on efforts for a library in Shadow Creek Ranch.



APPOINT PAYING AGENT/REGISTRAR, APPOINT ESCROW AGENT, APPROVE PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE, AND AUTHORIZE ADVERTISEMENT FOR SALE OF THE SERIES 2012 BONDS AND SCHEDULE BOND SALE

The Board discussed appointing a paying agent/registrar for the District's Series 2012 Bonds. Mr. Rathmann recommended that the Board appoint Wells Fargo Bank, N.A. as the paying agent/registrar.

Mr. Rathmann stated that it is not necessary to appoint an escrow agent for the District's Series 2012 Bonds.

Mr. Rathmann reviewed the Preliminary Official Statement and Official Notice of Sale for the District's Series 2012 Bonds.

The Board considered authorizing advertisement for the sale of the District's Series 2012 Bonds. Mr. Rathmann recommended that the Board schedule the sale of the District's Series 2012 Bonds on Thursday, October 4, 2012, instead of its regular meeting date of Friday, October 5, 2012, since Thursday is more preferable day to hold a bond sale.

Following discussion, Director Pope moved to (1) appoint Wells Fargo Bank, N.A. as the paying agent/registrar for the District's Series 2012 Bonds; (2) approve the Preliminary Official Statement and Official Notice of Sale for the District's Series 2012 Bonds, subject to final review by the Board and consultants, and direct that the documents be filed appropriately and retained in the District's official records; and (3) authorize advertisement for the sale of the District's Series 2012 Bonds on Thursday, October 4, 2012, at 1:30 p.m. at ABHR. Director Ruiz seconded the motion, which carried unanimously.

AUTHORIZE AUDITOR TO PREPARE DEVELOPER REIMBURSEMENT REPORT

The Board considered authorizing McGrath to prepare a Developer Reimbursement Report in connection with the District's Series 2012 Bonds, pursuant to the District's engagement letter. After discussion, Director Axtell made a motion to authorize McGrath to proceed with preparation of a Developer Reimbursement Report in connection with the District's Series 2012 Bonds. Director Ruiz seconded the motion, which passed unanimously.



DISCUSS 2012 TAX RATE, SET PUBLIC HEARING DATE, AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE, AND ADOPT BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2013

Mr. Rathmann distributed and reviewed a tax rate analysis recommending that the District levy a 2012 tax rate of \$0.85 per \$100 of assessed valuation, with \$0.80 allocated to debt service and \$0.05 allocated to maintenance and operations. A copy of the tax rate analysis is attached.

Ms. Erin Garcia presented the proposed budget for fiscal year end September 30, 2013, a copy of which is attached to the bookkeeper's report. The Board reviewed the proposed budget, based on a maintenance tax rate of \$0.05 per \$100 assessed valuation.

Following review and discussion, Director Pope moved to (1) authorize the tax assessor/collector to publish notice of the District's public hearing on October 4, 2012, to set the proposed 2012 tax rate of \$0.85 per \$100 of assessed valuation, with \$0.80 allocated to debt service and \$0.05 allocated to maintenance and operations, and (2) adopt the budget for fiscal year end September 30, 2013, as presented. Director Ruiz seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

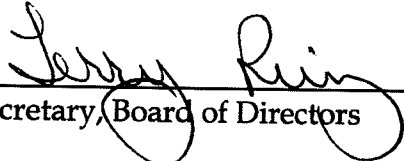
DATE, TIME, AND LOCATION FOR NEXT DISTRICT MEETING

The Board agreed the next meeting will be on October 4, 2012, at 1:30 p.m., at ABHR.

There being no further business to come before the Board, the meeting was adjourned.

(SEAL)




Secretary, Board of Directors



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